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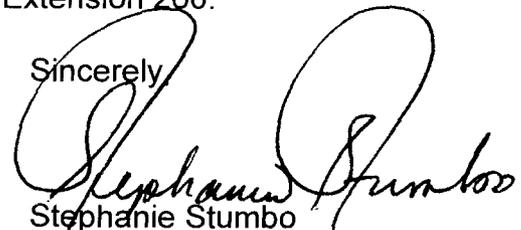
August 1, 2008

PARTIES OF RECORD

Re: Case No. 2008-00115
East Kentucky Power Cooperative, Inc.

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you wish to file any comments regarding the contents of the memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Rick Bertelson at 502/564-3940, Extension 260.

Sincerely,


Stephanie Stumbo
Executive Director

RB:v

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2008-00115

FROM: Rick Bertelson, Staff Attorney *RJB*

DATE: July 31, 2008

SUBJECT: East Kentucky Power Cooperative, Inc.
Informal Conferences

An informal conference ("IC") was held on July 23, 2008 at the Commission's offices. In attendance were Commission Staff, East Kentucky Power Cooperative, Inc. ("East Kentucky"), and Kentucky Industrial Utility Customers, Inc. ("KIUC"). A sign-in sheet with the names of the attendees is attached hereto.

The informal conference was held at the request of East Kentucky to discuss a possible settlement of the issues in East Kentucky's current Environmental Surcharge case. During the IC, KIUC expressed concerns regarding the times interest earned ratio ("TIER") level of 1.35 requested by East Kentucky in its application. KIUC's expert believed that, based on information in the record, East Kentucky's financial condition has improved since last year, when East Kentucky filed its application for a base rate increase in Case No. 2006-00472. In its December 5, 2007 Order authorizing East Kentucky's rate increase, the Commission approved a TIER level of 1.35.

East Kentucky presented information during the IC that its financial condition has not improved since last year, and that the 1.35 TIER level is necessary in order to avoid default on its credit facility. KIUC requested that East Kentucky provide additional written documentation for its expert to examine. The parties then requested to meet again the following week for a follow-up IC in order to continue settlement discussions.

A follow-up IC was held on July 30, 2008 in Frankfort. In attendance were Commission Staff, East Kentucky and KIUC. The list of attendees is attached. Prior to the IC, East Kentucky provided four documents containing financial information about East Kentucky to Commission Staff and KIUC by e-mail. In the e-mail East Kentucky requested that the documents be treated as confidential for purposes of settlement discussions. During the IC, East Kentucky stated that it would revise the documents to omit the confidential information and then resubmit the documents without a request for confidentiality.

The parties informed Commission Staff that they had met prior to the IC and had reached a settlement of the issues in dispute in the Environmental Surcharge case.

East Kentucky stated that it will file supplemental expert testimony in support of the settlement terms, including revisions of the documents it had provided by e-mail as exhibits. The parties stated that they will file a joint motion requesting approval of the settlement and that they will present the settlement agreement to the Commission at the formal hearing.

The meeting was adjourned.

Attachments

cc: Parties of Record

